



New Jersey Society for Environmental, Economic Development



2005 BRIEFING BOOK

Presented to the New Jersey Congressional Delegation

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**The New Jersey Society for Environmental, Economic Development
2005-2006 Congressional Briefing Book**

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Introduction

The New Jersey Society for Environmental, Economic Development (NJ SEED) is a unique coalition of New Jersey's most prominent labor and business leaders. Our diverse membership includes labor advocates, business organizations and trade groups, construction and electrical workers unions, energy providers, environmental consultants, telecommunications firms, banks, residential and commercial development interests, insurance firms, educators, State Troopers and firefighters, food manufacturers and retailers, water utilities, chemical industries, pharmaceutical companies and health care interests. What we all have in common is our belief that economic growth and environmental protection are not mutually exclusive.

For more than thirty years, NJ SEED has supported balanced public policies that create private sector jobs, bolster our economy and enhance our environment. Good things happen when labor and business leaders sit down together.

NJ SEED is proud to present the 2005 Congressional Briefing Book. This year marks our 18th Congressional Briefing in Washington, and we thank the members of the New Jersey Congressional Delegation for their willingness to meet with us annually to discuss issues that are vital to business and labor leaders in the Garden State.

We are grateful to all of the NJ SEED members who contributed to this document and who serve on our Issues Policy Committees. As always, NJ SEED's Officers and Trustees will be pleased to meet at any time to discuss these issues.

Joseph McNamara, President
NJ LECET

Charles Wowkanech, First Vice President
New Jersey State AFL-CIO

Richard Dewling, Second Vice President
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NJ SEED Economic Development Issues Policy Committee

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Tim Comerford PSE&G	Dick Forman Associated General Contractors	Bill Healey HealthCare Institute of NJ
Paul Kaywork Waters & Bugbee	George Laufenberg NJ Council of Carpenters	Thomas Manning Steamfitters Local 475
Joseph McNamara NJ LECET	Magdalena Padilla Insurance Council of NJ	Henry Ross Union County Alliance
	John Tiene NJ Skylands Insurance Co.	Ed Zarnock Union County Alliance

NJ SEED Energy Issues Policy Committee

Chairmen: Art Guida, PSE&G and Jim Benton, NJ Petroleum Council

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NJ SEED Environmental Issues Policy Committee

Chairman: Dick Dewling, Dewling Associates, Inc.

Jim Benton NJ Petroleum Council	Michael Egenton NJ State Chamber of Commerce	Michael McGuinness NJ NAIOP
	Gary Shute BP America, Inc.	Joan Verplanck NJ State Chamber of Commerce

NJ SEED Transportation Policy Committee

Chairmen: Stephen Kealy and Roger Ellis, Local 472

Chris Burgos STFA	Dick Forman Associated General Contractors	Steve Gardner NJ LECET
Dave Jones STFA	Mark Longo Operating Engineers Local 825	George Laufenberg NJ Council of Carpenters
Matt McDermott Nation's Port	Kevin Monaco UTCA NJ	Dan O'Connell United Transportation Union
Charlie Wowkanech NJ State AFL-CIO	John Tiene NJ Skylands Insurance Company	John Wade Middlesex Cons. Trades Council

ECONOMIC DEVELOPMENT OVERVIEW

New Jersey is an economic engine for the nation and especially for the east coast. Our well-educated work force has helped our service-driven economy become a national leader. Also, our ports are the entry point for a very substantial amount of the commodities coming to the United States, as well as the point of export departure for many products. It is imperative that New Jersey's economy continues to grow.

NJ SEED's Economic Development Issues Policy Committee, along with our Transportation, Energy and Environmental Issues Policy Committees, recommends that NJ SEED support policies that improve our transportation infrastructure, keep our ports viable, support the education of our workers, protect our standard of living and promote job growth. Each topic in this briefing book discusses its economic impact on New Jersey. Issues discussed herein include:

Transportation

- Need to renew the Transportation Efficiency Act for the 21st century this year above \$284 billion, so that New Jersey's transportation needs are better met.
- Restoration of full funding at the FY 2005 level for Amtrak.
- Tunnel expansion of the northeast corridor for rail, freight, passenger and road.

Environment

- Additional funding to support the current feasibility studies underway by the Army Corps of Engineers in the New York District, which are critical to realizing the achievement of the world-class Hudson-Raritan Estuary.
- Provide additional funding for Superfund site cleanup.
- The New Jersey Department of Environmental Protection rulemaking process for Natural Resource Damages should be fashioned in a way that is closer to the national mainstream and consistent with recent federal case law.
- Restore necessary funding for beach replenishment measures.
- Restore funding for New Jersey's water pollution & control projects (State Revolving Fund).
- Reasonable and consistent carbon dioxide regulations that address the issue from a federal perspective.
- Adherence to federal standards for particulate matter.

Energy

- Congress should pursue comprehensive national energy legislation to address issues such as MTBE, oxygen content and boutique fuels.
- Prioritize policies that secure our nation's energy grid.
- Pursue funding to keep the Yucca Mountain Program viable.
- Support the improvement needs of the Arthur Kill Channel.

OTHER NJ SEED ISSUES

- Imposed government price controls on pharmaceutical companies will have a detrimental impact on the innovation of new lifesaving and life-enhancing products, as well as on New Jersey jobs and the state's economy as a whole.
- Potential military base closings should be closely monitored to ensure that the impacts on New Jersey's economic vitality are minimal.
- New Jersey needs adequate federal funding for our State Police efforts to fight terrorism and keep our markets safe.
- Support initiatives that provide for best practices in the area of corporate infrastructure security and emergency preparedness.
- The federal government needs to bolster the efforts of the insurance industry to protect commercial property owners during acts of war and future terrorist attacks.
- States should be able to collect sales tax on Internet transactions for products that ship to a destination point within their borders.
- Reauthorization of the Perkins Law and restoring full funding to the budget will ensure the continued strength of high-quality vocational-technical education programs for the New Jersey workforce.
- New Jersey must continue to support its disadvantaged students through proper funding, reform in depressed education systems, and perpetuating a quality schooling circumstance.

Please refer to each section for a thorough examination of the issues.

TRANSPORTATION

- **Transportation Efficiency Act**
- **Amtrak Funding**
- **Freight Mobility: Barge and Rail Initiatives**
- **Regional Transportation Linkages:**
 - Third Passenger Tunnel into New York**
 - Cross-Harbor Rail Freight Tunnel**

Statement from the NJ SEED Transportation Issues Policy Committee

New Jersey's roads, bridges, rail lines and ports are the backbone of its economy, as well as a keystone for our nation's transportation infrastructure. The NJ SEED Transportation Issues Policy Committee recommends that we encourage Congress to take immediate action on the renewal of the Federal Transportation Equity Act. This Committee recognizes that much of New Jersey's transportation funding from the federal government is achieved through matching state funds. Therefore, NJ SEED is concurrently urging the New Jersey Legislature to immediately secure a stable and renewable funding source exclusively for the depleted New Jersey Transportation Trust Fund.

Transportation Efficiency Act

New Jersey is a corridor state and the movement of goods, services and people depends on a well-maintained, non-congested transportation system. Each day, our roads and bridges accommodate more than 17 million vehicle trips. 324 million tons of New Jersey manufactured goods are transported daily, and millions of rail and bus commuters ride to work. NJ SEED and its members continue to work diligently to keep transportation funding issues on the front burner of federal policy initiatives.

New Jersey is a gateway to world markets. Without a sound and efficient transportation network, New Jersey cannot compete with other regions of the country and is vulnerable to job and revenue losses. Therefore, investing in our infrastructure is vital. Congress failed to pass legislation in the last session and renewal is now over a year late, causing problems in the long-term planning and funding of projects.

NJ SEED recognizes the absolute necessity of renewing the Transportation Efficiency Act for the 21st Century this year.

The United States Department of Transportation's own needs survey has established a minimum nationwide investment level of \$375 billion over six years. NJ SEED supports a renewal with funding levels as close to the needs assessment as possible to address our nation's critical infrastructure needs.

In its 2006 FY budget proposal, the White House has requested a \$284 billion funding plan for transportation. The House has introduced a bill also providing for \$284 billion.

The Senate has not yet introduced its version of a renewal bill, but members of our delegation have expressed their intent to seek a higher funding level.

Federal transportation funding is an economic issue, as well as a public safety issue. For every \$1 billion invested in transportation infrastructure, 47,500 jobs are created and \$6 billion in related activity is generated. According to the National Highway Traffic Safety Administration, a third of the 42,000 fatalities on our roadways each year are directly attributable to roadways, which are inadequate for current capacity.

Increased funding for transportation will help to eliminate congestion, improve safety, create jobs and provide a better quality of life for all New Jersey citizens. NJ SEED's business and labor members pledge to continue to work cooperatively with our Congressional Delegation to keep federal transportation funding at the forefront of our public policy discussions.

NJ SEED urges the members of the New Jersey Congressional Delegation to continue to advocate for increased funding for New Jersey's critical transportation needs. Any final transportation legislation should include provisions for 95% return and should fully fund transit investments. NJ SEED also supports efforts to increase the level of funding in the reauthorization bill above \$284 billion, so that our transportation needs are better met.

Amtrak Funding

Reliable commuter train service is vital to New Jersey's citizens and economic well being. Consider the following:

- Amtrak operates approximately 110 trains daily in New Jersey, as well as long-distance trains through the state to destinations ranging from Miami to Chicago.
- During FY 2004, Amtrak served a total New Jersey ridership of 3,855,311.
- Amtrak expended \$37,983,222 in goods and services in New Jersey in FY 2004.
- New Jersey residents employed by Amtrak in FY 2004 numbered 1,687 earning total wages of \$89,069,111.
- Amtrak increased ridership by 3.5 million in the period 2000-2004.
- After the terrorist attacks of September 11 when the airlines were grounded, Amtrak was the only transportation option for many stranded commuters. In this age of terror threats, redundancy in modes of transportation is more important than ever.

New Jersey Transit (NJT) operates more than 400 trains daily along the northeast corridor. To address the need for increased capacity, fire and life safety improvements to the tunnels, and improved reliability of service, Amtrak and NJT participate in a Joint Benefits Agreement that will provide more than \$200 million for investment in important projects.

Amtrak and NJT have concluded an updated New Initiatives and Joint Benefits Agreement. It provides for NJT to increase its peak period use of Amtrak's Penn Station in NYC, and memorializes plans to turn over operation of the Clocker service to NJT by 2006.

Last year, the Bush Administration proposed \$900 million in funding for Amtrak and Congress increased that to \$1.2 billion when the railroad said that the Administration's

proposal would force it to shut down. This year, despite Amtrak's own Board of Directors' recommendation of \$1.8 billion as part of a five-year plan, the White House has called for the elimination of federal funding, except for \$360 million for maintenance of the northeast corridor between Washington, DC and Boston. The Bush Administration has called for shifting the financial responsibilities from the federal government to the states. With New Jersey facing a projected \$4 billion deficit, it is hard to imagine how our state would be able to absorb that cost. It is also important to note that New Jersey transit operates more trains on the New Jersey portion of the northeast corridor than does Amtrak.

NJ SEED urges the members of the New Jersey Congressional Delegation to work for the restoration of full funding at the FY 2005 level for Amtrak, and to oppose the Bush Administration's proposal to "zero out" funding for the national passenger service operation.

Freight Mobility: Barge and Rail Initiatives

Complimenting the channel navigation deepening and port infrastructure improvements is industry investment in environmentally sound alternatives to truck-based container movement, such as short sea shipping initiatives featuring feeder barge services from the Port of New York and New Jersey to inland destinations. In addition, initiatives to increase rail movement of containers, both long haul and short shuttle runs, must be a public policy priority. Development of Port Inland Distribution Networks (PIDN) supplements this overall effort. A greater reliance on alternative modes of cargo movement around the port and through our region makes great economic and environmental sense.

However, landside intermodal infrastructure improvements that promote modal balance and diversity and solve highway congestion must keep pace in order to accommodate the significant growth in cargo that will arrive here annually. The port saw 143% growth in cargo volume from 1996-2000. In 2003, container traffic totaled more than 2.8 million twenty-foot equivalent units (TEUs), an 8% increase over the previous year. By 2010, some 5.4 million TEUs are expected to move through our Port. By 2020, estimates are for a volume of 8.2 million TEUs, and 15.2 million TEUs by 2040. Cargo volumes are growing, and the pressure to increase terminal efficiency and throughput will place a great burden on the ability to move cargo from dock to final destination. Transportation infrastructure investments must be priority projects to ensure continued freight mobility without imposing additional strain on local communities and roadways.

The lack of a world-class international intermodal corridor will shut down the significant economic engine fueled by port users who move the millions of cargo containers that serve 80 million consumers and port-dependent businesses in our state and region. One real solution, proposed by Congressman Bob Menendez, is the Liberty Corridor. It would create an International Intermodal Corridor to support the economic engine powered by freight mobility, economic development, research & development, and export promotion sustaining business attraction, retention and success in New Jersey and the region.

NJ SEED supports the Liberty Corridor Proposal that would address current intermodal deficiencies, such as:

- *Lack of modal balance.*
- *Promotion of modal diversity, such as increased use of rail and waterborne freight movement.*
- *Removal of highway system constraints that threaten the efficiency and growth of our international intermodal service connections.*
- *Enhanced PIDN service and efforts to identify federal support that will be required to sustain the service beyond the initial two-year period.*

Regional Transportation Linkages

Northern New Jersey's economic viability is linked to the efficiency of the area's transportation infrastructure. As traffic volume between New Jersey and New York City continues to increase and commerce from our ports grows, it is critical to the economic future of this region that our transportation linkages are expanded to accommodate this need.

Third Passenger Tunnel into New York: Funding for a draft economic impact study on a third rail passenger tunnel between New Jersey and New York City has been allocated. This tunnel will immediately better the quality of life for residents of Northern New Jersey. The traffic relief that this tunnel offers would decrease congestion and, thereby, decrease pollution. This investment in our transportation infrastructure will drive the economies of the region and lessen the environmental impact of traffic.

Cross-Harbor Rail Freight Tunnel: New Jersey and New York Ports continue to experience increased traffic and process a larger volume of containers every year. Once off loaded, a ship's cargo needs to be able to move with the same efficiency and ease that it experienced when it was transported in. A cross-harbor rail freight tunnel would increase the flow of products to market while decreasing road and bridge congestion. New York is the only major port city in the United States that has never built a rail freight connection across its harbor or river. Most products entering or passing through the Port on rail are either detoured 280 miles to a bridge in Selkirk or loaded onto trucks and transported over the roads. The impact on New Jersey's roads and traffic congestion is stifling to our transportation infrastructure and economy. The tunnel would remove at least one million tractor-trailer trucks per year from our roads, and would result in cleaner air, reduced congestion, lower-cost consumer goods and a generally reduced cost of doing business.

NJ SEED will continue to monitor possible tunnel expansion and supports these investments in our regional transportation linkages.

ENVIRONMENT

- **World Class New York and New Jersey Harbor Estuary**
- **Superfund Cleanup Funding**
- **Beach Replenishment Program for the New Jersey Shore**
- **Restore Funding for Clean Water Projects**
- **Natural Resource Damages**
- **Carbon Dioxide as an Air Contaminant**
- **Particulate Matter**

Statement from the NJ SEED Environmental Issues Policy Committee

Balancing clean air and restored natural resources with strong employment and economic growth benefits the health and standard of living of New Jersey residents. To achieve such balance, issues such as site cleanup for redevelopment and pollution controls must be carefully considered. The Environmental Issues Policy Committee supports policies that enhance our environment while keeping our economy strong.

World Class New York and New Jersey Harbor Estuary

Federal funding is needed for the clean up of the Passaic, Newark Bay and Meadowlands tributaries. Such action will be the key to mitigating contaminated silt collecting in the harbor. Years of dredging for maintenance and deepening purposes have removed most of the contaminated sediment from the harbor bottom, and this has provided a cleaner marine environment and attracted new species of marine life. However, the natural flow of water and silt from upland waterways feeding into the harbor carry contaminated silt back into it.

NJ SEED recommends that the New Jersey Congressional Delegation seek additional funding levels for the FY 2006 Civil Works budget in support of current feasibility studies underway by the Army Corps of Engineers in the New York District, which are critical to realizing the achievement of a world-class Hudson-Raritan Estuary.

Superfund Cleanup Funding

The original Superfund Law passed in 1980 was designed to pay for cleaning up toxic waste sites. It appeared in the wake of environmental disasters, such as the Elizabeth chemical plant fire in April 1980 that spewed toxic clouds over a 15-square-mile area. The law ensured the responsibility of polluting companies for the cost of cleanups, whether or not their actions were legal at the time. A trust fund was created to pay when responsible parties were not found. In 1996, the fund was at its pinnacle holding \$3.8 billion. The tax expired at the end of 1995 and by 2004, the fund had dropped to zero. Now, Superfund cleanups must compete against other environmental and governmental programs for tax dollars.

The EPA has committed to funding the cleanup of 670 projects across 428 sites. However 52% of the Superfund funding for long-term projects is committed to only nine 'mega sites,' three of which are located in New Jersey. The number of completed projects has been cut in half from 1998 with 87 to 47 in 2002, 40 in 2003, and 40 in 2004. Without a reinstatement of the industry tax, the program is becoming less and less viable.

The federal budget proposed by the Bush Administration would give Superfund a small boost from \$1.25 billion this year to \$1.28 billion in the fiscal year that begins October 1. The President proposed a similar increase last year, but Congress did not support it. The program's annual funding has slowly declined from \$1.5 billion in 1998 and 1999, while the costs of cleanups are escalating. In the last two years, the EPA has not funded all the new sites that are ready to start construction and expects not to be able to fund many of the new starts this year.

NJ SEED recognizes the need for cleanups statewide. These sites are the economic engines of redevelopment for New Jersey. NJ SEED urges Congress and the Bush Administration to reinstate funding for the cleanup of Superfund sites.

Beach Replenishment Program for the New Jersey Shore

Tourism generates nearly \$20 billion per year in New Jersey and creates 415,000 jobs. However, two thirds of the people who visit the Jersey Shore are from out of state. Therefore, beach replenishment is a program enjoyed by more than just New Jerseyans and, more importantly, it is a costly project that no state or municipality can fund on its own.

NJ SEED believes that restoring federal funding for beach restoration projects is vital to preserving the environment at the New Jersey Shore and protecting our vital tourism industry.

Restore Funding for Clean Water Projects

The Bush Administration's FY 2006 proposal to cut the EPA's Clean Water State Revolving Fund and maintain Superfund spending at the current level will have a devastating impact on the progress of these mature programs. The administration has proposed cutting EPA's annual contribution to the Clean Water State Revolving Fund by one-third from \$1.09 billion in FY 2005 to \$730 million in FY 2006. The impact of this action curtails planned wastewater, storm water and water supply projects, and obviously impacts thousands of construction jobs. Many of these projects have been scheduled for years. If they are not implemented, there will be negative consequences for the environment.

NJ SEED recommends that funding levels be restored to reflect the needs of these already successful, environmentally critical programs.

Natural Resource Damages

For several years, the EPA has sought to force those it believed to have damaged natural resources to pay for their restoration, and for the presumed loss of use of those resources by the public. The agency developed a policy after a combination of public comment, trial and error, and litigation. The result was a policy understood, if not loved, by those governed by its terms.

Sensing an opportunity to secure increased funds, some states sought to adopt similar programs. New Jersey has pursued a program without parallel in the United States, both in scope and acrimony. Its calculation for damage assessment has changed often, with no advance public notice, and it announced that it was entering into agreements with politically connected plaintiffs' law firms to act as private attorneys general to sue on behalf of the state. NJ SEED, along with several of the state's largest trade associations, sued to force the program to go through a public rulemaking process, and to subject the private attorneys general scheme to a full judicial review. Last fall, Judge Sabatino ruled on the private attorney program, subjecting any fee awards to strict judicial review and requiring the private attorneys themselves to operate under the direction of state attorneys. He transferred the rulemaking request to the Appellate Division as the proper venue to decide that issue.

Although both parties appealed, settlement discussions between the parties took shape, and the DEP Commissioner has agreed to put the Natural Resource Damages calculation process through a public rulemaking. Since this was the cornerstone of the NJ SEED case, it appears that a formal settlement will be forthcoming.

It is NJ SEED's intention to press the DEP during the rulemaking process to fashion its program in a way that is closer to the national mainstream and consistent with recent federal case law in order to keep New Jersey competitive with neighboring states.

Carbon Dioxide as an Air Contaminant

The New Jersey Department of Environmental Protection has proposed by regulation to reclassify CO₂ as an Air Contaminant for the purpose of allowing the state to regulate CO₂ emissions. The state has indicated that it has an interest in capping and trading the emissions for power plants, yet has not put forward any program details. Furthermore, there is no consistency with regard to regulatory definitions.

Congress has considered classifying CO₂ and refused to include it as a pollutant. A single state's specific impacts are not logical, as climate change is a global phenomenon and even the total elimination of all CO₂ emissions in the state will have no discernable impact on the potential climate change effects. If DEP reclassifies CO₂ as an air contaminant and adopts mandatory regulations, it will be contributing to an inconsistent patchwork of state responses, which will likely have adverse economic impacts on the state's economy and the public, and will interfere with Congressional and national policies on climate change.

NJ SEED believes that this proposal should be withdrawn, as it premature, arbitrary, unreasonable and unjustified.

Particulate Matter

The federal government, in collaboration with state governments, is working to improve the air quality in states like New Jersey. Among the more aggressive efforts is the control of particulate matter. Particulate matter is fine liquid or solid particles, such as dust, smoke or mist, found in air or emissions. Our nation has entered a period of significant investment in meeting the implementation of many of federal and state deadlines, which began in 2004.

Among the strategies to address this issue, the federal government has adopted new rules that would require oil refiners to reduce the sulfur in gasoline by about 90 percent. Sulfur levels in diesel fuel will similarly be reduced beginning in 2006. By 2012, all the sulfur levels of diesel fuels for on-road and off-road vehicles will be at 15 parts per million. The goal of the new standards is to lower the sulfur content of diesel fuel that is used in engines, some as large as 6,000 horsepower. Sulfur not only leads to more particulate matter, but it also prevents newer engine technologies from reducing the levels of other pollutants. The EPA predicts that once the current fleet of diesel-powered engines is retired, the level of nitrogen oxides and particulate matter will be reduced by up to 90-95 percent.

Progress toward the new regulations came about through several factors, including the willingness of refineries and engine makers to bear the costs of improvement in exchange for a phase-in period and a realization by environmental groups that the new standards will have a substantial health benefit, even if they take some years to put into practice.

Despite this significant effort currently underway, initiatives at the state and federal level to change these dates have been introduced and are receiving consideration. Stricter particulate matter standards and their associated additional investments should not be imposed until the 1997 standards and the health benefits can be better understood. For a single state, like New Jersey, to attempt to misalign the implementation dates by promoting earlier than scheduled dates places the benefits of this program in jeopardy.

NJ SEED supports adherence to the federal schedule until the current standards are implemented and benefits are fully understood.

ENERGY

- **New Jersey's Energy Infrastructure**
- **Federal Fuel Issues**
- **Energy Supply Line: Arthur Kill Channel Improvements**
- **Liquefied Natural Gas Facility Siting**
- **Keeping Our Electric Power Supply Safe and Reliable**
- **Yucca Mountain Update**

Statement from the NJ SEED Energy Issues Policy Committee

It is critical that United States policies encourage independence from potentially unreliable sources of gas and oil. Pursuing environmentally friendly forms of energy is important to the economic and physical health of New Jersey residents. Furthermore, the creation, delivery and safety of energy resources are of paramount importance to New Jersey citizens. The Energy Issues Policy Committee advocates legislation that supports these goals while recognizing the economic importance of the energy industry to our economy.

New Jersey's Energy Infrastructure

New Jersey is home to one of the nation's most comprehensive strategic market places for petroleum product supply and distribution. The Garden State serves the entire northeast region through its refineries, storage, marine transportation, pipeline and infrastructure network. New Jersey is home to one of the four EIA northeast heating oil reserve sites, is one of five states to require statewide federal reformulated gasoline, and has major pipelines and six petroleum refineries. Over 67% of New Jersey homes are heated by natural gas. New Jersey has the fourth lowest gasoline tax in the nation (.329 as of January 1, 2005), and is surrounded by states with significantly higher gasoline tax rates.

Federal Fuel Issues

While the patchwork of localized "boutique motor fuels" is not principally responsible for the recent higher gasoline prices, the proliferation of these fuels in recent years has presented significant challenges and resulted in an inflexible fuels system. A classic example of the disadvantages of boutique fuels is right here in the New York/New Jersey area where gasoline intended for use in Bayonne cannot be used across the river in New York City to address any supply shortage. Refiners and suppliers have made the refinery and distribution system investments to handle both of these gasolines with minimal problems to date. However, if a serious infrastructure problem occurs in the refineries, the pipelines or the terminals that supply these areas with gasoline, the boutique fuels involved could lead to serious supply disruptions. We urge federal policymakers to take particular care in addressing boutique fuels, as there are many factors that affect this complex issue.

Priority should be assigned to the repeal of the federal RFG oxygen requirement and, of equal importance, to avoiding simplistic, counter-productive solutions that fail to recognize how the U.S. fuels system operates. Consideration should be given to both the refining distribution system and the availability of similar fuels in each area.

NJ SEED believes that the best way to address boutique fuels is to pass the comprehensive national energy legislation, H.R. 6.

The energy bill would repeal the oxygen content requirement for reformulated gasoline in the Clean Air Act, a major driver of boutique fuels, and require a national phase down of MTBE. It also requires the EPA to consult with the Department of Energy on the supply and distribution impacts of new state requests for specialized fuels, and the EPA and DOE would need to conduct a comprehensive study of the impacts of boutique fuels and make recommendations to Congress for addressing them within 18 months of enactment.

Given these significant changes and the benefit of the study recommendations, NJ SEED urges members of Congress to resist imposition of any additional fuel specification changes outside the context of the national energy legislation.

Energy Supply Line: Arthur Kill Channel Improvements

The Arthur Kill waterway is crucial to the petroleum supply line into New Jersey and the entire northeast region. Marine transportation traffic to facilities located in New Jersey and New York represents the single largest use of marine transportation traffic in the New York/New Jersey harbor. The lower Arthur Kill is a critical part of the international supply and distribution network for products such as asphalt, jet fuel, home heating oil and gasoline. The current Arthur Kill Channel is maintained at 35-foot channel with 2 to 3 foot over depth dredging. This shallow depth results in excessive lighterage and associated transportation delays. Issues continue to arise from potential spills, navigation accidents and noncompetitive costs for onshore facilities. Security concerns remain at a very high level in this critical navigational channel.

NJ SEED supports initiatives that will lower the depth of the Arthur Kill, maintain an approximately 40-foot channel depth, and return this waterway to minimal safe navigational standards. Consistent with the requirements of the Army Corps of Engineers, this initiative is positive and essential.

Liquefied Natural Gas Facility Siting

In 2003, BP announced its plan to build a liquefied natural gas (LNG) terminal in Logan Township. The facility, known as Crown Landing LNG, represents a more than \$500 million investment by BP. Upon completion, the facility will add jobs and taxes, and will provide a stable supply of natural gas to the region. This increased access to natural gas supplies will provide a badly needed source of cleaner-burning energy for industrial and residential markets.

Numerous proposals are in the works to build LNG terminals in the United States, but very few of these will have the kind of immediate benefits to the mid-atlantic region offered by the Crown Landing terminal. The facility will receive natural gas in liquid form on ships, convert it back to its gaseous state, and then inject it into the region's gas distribution networks. This LNG storage site will bring significant new supplies of natural gas to the region (enough to supply more than 5 million homes per day), and should help stabilize natural gas prices.

The Federal Energy Regulatory Commission (FERC) recently issued a draft environmental impact statement for the project. This report, which finds that the project will have minimal impact to the area, represents a key step toward approval. The report covers environmental, safety and security issues. The FERC is in the process of soliciting comments on the draft report and will offer a final report early this summer.

If the project continues on its current course and receives all federal, state and local approvals, Crown Landing is expected to be operational in late 2008.

NJ SEED supports approval for this important project and similar initiatives that will contribute to New Jersey's economic health and energy supply.

Keeping Our Electric Power Supply Safe and Reliable

NJ SEED believes that restructuring the electric power industry has brought and will continue to bring substantial benefits to business and residential energy consumers in the form of lower costs, greater reliability, improved efficiency, new products and services, and enhanced ability to compete and win in global markets.

New Jersey has in place one of the nation's most aggressive and comprehensive approaches for unleashing competitive forces for the benefit of consumers. A large portion of this benefit has been obtained by New Jersey's approach to procuring energy supplies and basic generation services through a competitive bidding/auction process to meet the energy and load demands of customers who have chosen to be served by the state's utilities. Consumers also have the ability to select their own provider. This approach has become a model for other states considering how to ensure the benefits of competition to all customers, regardless of size.

None of this would have been possible if not for the existence of a highly competitive electric wholesale market called PJM. PJM is an independently run regional transmission organization (RTO) that comprises a system of geographically and fuel diverse generation suppliers interconnected through a large transmission grid that in turn is interconnected to geographically diverse load serving entities (e.g. utilities). PJM currently encompasses transmission, generation and load in New Jersey, Pennsylvania, Delaware and Maryland. Plans before the Federal Energy Regulatory Commission (FERC) are to expand PJM to include the midwest (including states as far west as Illinois and Kentucky, and as far south as Virginia), and to make its operations seamless with the other large midwest RTO called Midwest Independent System Operator (MISO). When these changes are completed, it is estimated that New Jersey consumers will benefit considerably from the increased

competition and additional sources of supply.

Increasingly, however, these plans have run into roadblocks. States such as Virginia and Kentucky have initiated actions to prevent transmission owners in their states from turning over the operation of their grid to PJM for fear that their consumers will be hurt at the expense of benefiting consumers in the northeast. Economic studies show that the opposite is true. Moreover, the August 14th 2003 blackout demonstrated the problems of loose coordination between grid suppliers and how that can result in cascading problems from state to state. While portions of PJM were affected by the blackout, most parts of the system were able to avoid the problems associated with the midwestern areas that had loose integration and coordination of the grid.

The federal government has an important role to play in ensuring that the electric supply in this country is both reliable and safe, and that interstate commerce in wholesale electricity markets can occur. Similarly, as these markets become increasingly larger, the federal government has to play an active role in adopting environmental policies that adequately protect state consumers from increased emissions, while recognizing the competitive nature of the markets.

NJ SEED urges New Jersey's Congressional Delegation to ensure that Congress, the Administration and the FERC pursue policies consistent with these principles.

NJ SEED acknowledges that there is no quick fix for the energy challenges facing the nation today. It has been long understood that policies are needed that significantly reduce our dependence on potentially unreliable foreign sources of oil and gas. We cannot have a sound energy policy based only on production or solely on conservation. Furthermore, renewable energy sources such as wind, solar and biomass show strong potential as alternative fuel sources, but have not been sufficiently developed to be considered viable alternatives to imported oil and gas today.

NJ SEED urges continued discussion by the White House and Congress in order to find common ground on this critically important issue. Any recommendations should be balanced in order to protect jobs in the automobile, petroleum and other energy-intensive industries.

Yucca Mountain Update

Following approval of Yucca Mountain as the site of a federal repository for used nuclear fuel and high-level defense waste, the project has advanced to the licensing stage. The Department of Energy (DOE) is preparing a license application to build a repository at Yucca Mountain that the DOE plans to submit to the Nuclear Regulatory Commission (NRC). At this point, delays in the process have pushed back the expected submittal date to late 2005. The NRC will use the same approach in reviewing the license application for the Yucca Mountain repository that it has used in licensing the nation's 103 nuclear power reactors. The NRC will apply the most current safety-focused regulatory principles to the repository's licensing process.

The DOE must obtain a separate approval to operate the facility. The NRC is providing feedback to the Energy Department as it completes the application. After the DOE submits the application, NRC review will take three to four years. Licensing Yucca Mountain is a three-step process:

1. DOE will apply for a license to construct the repository.
2. When the facility is completed, DOE will apply for an amendment to the license to receive and possess waste at the repository.
3. Once all the waste is emplaced inside Yucca Mountain, a process expected to span 50 to 300 years, DOE will apply for another amendment to close the facility.

A key feature of the NRC licensing process is that it anticipates that there will be scientific and technical advances over the decades of waste emplacement operations. The NRC licensing process allows the NRC to make changes to its initial licensing to reflect these advancements. This is considered an essential element for building public confidence in the repository's ability to protect public health and safety over the thousands of years that the waste is expected to be stored. During the period of waste emplacement, DOE will also retain the ability to retrieve waste.

The federal government has spent 20 years and more than \$8 billion conducting scientific evaluations of Yucca Mountain. The same extensive studies that concluded that the site is suitable will now form the foundation of the DOE's licensing efforts. The DOE will build on the existing scientific foundation by continuing to conduct scientific studies through the project's lifespan. The studies will further ensure the long-term safety and performance of the repository.

The licensing effort has suffered some setbacks over the last year. These include: DOE's delays in securing certification of the license support network; a court decision on the Environmental Protection Agency (EPA) radiation standard for the repository, which requires either a new standard or a legislative change; and recent allegations that U.S. Geological Survey employees studying water infiltration at Yucca may have improperly documented computer modeling software.

Another problem has been securing the funding for the licensing process and eventual construction of the facility. In 1983, Congress created the Nuclear Waste Fund (NWF) as a way to pay for costs associated with the repository. The NWF is funded by fees paid by electricity customers and so far, these fees have amounted to over \$24 billion. Of that amount, New Jersey electricity customers have contributed over \$850 million. Over the last decade, the program has been severely under funded, Even though there is a dedicated funding source for the program, under current budget rules it must compete with unrelated programs for limited federal appropriations.

Last year, the Administration, in its budget request, forwarded legislation that would have authorized the reclassification of fees paid into the Nuclear Waste Fund as offsetting collections, in an amount equal to appropriations. H.R. 3981 was introduced last year to accomplish this objective. If enacted, the program would remain subject to Congressional oversight, but use of Nuclear Waste Fund receipts would score as a net zero in the budget,

avoiding the need to compete with unrelated programs for scarce federal dollars.

The Administration's budget proposal for Yucca Mountain for fiscal 2006 is \$651 million. DOE officials say that this amount will support the completion of tasks DOE could reasonably accomplish in the year, but has warned that any reduction could have adverse consequences. Delays in the program cost \$1 billion annually, owing to additional federal liabilities under existing contracts with utilities and costs for storage of defense materials at DOE sites.

To guarantee a steady and reliable source of funding, the Administration continues to support reclassification of annual fees according to H.R. 3981, but would be open to working with Congress on alternative approaches. Some have suggested that the Office of Management and Budget could reclassify fees administratively, but this approach would require concurrence from the Congressional Budget Office and the Budget committees.

NJ SEED supports the passage of H.R. 3429 or comparable legislation that would help to advance the Yucca Mountain Program. If this bill or one similar to it is not enacted, there could be a serious shortfall in funds available for the program.

OTHER NJ SEED ISSUES

- **Life Sciences Critical Industry Issues**
- **Base Realignments & Closings**
- **Homeland Security & Emergency Preparedness:**
 - State Police Staffing & Equipment**
 - Infrastructure Security/Emergency Preparedness**
 - Terrorism Insurance**
- **E-Commerce Taxation**
- **Education:**
 - Restoration of Perkins' Funding for Vo-Techs/County Colleges**
 - New Jersey's Commitment to Disadvantaged Students**

Life Sciences Critical Industry Issues

NJ SEED recognizes the long-standing importance of our life sciences industry (the pharmaceutical, medical technology and biotechnology sectors) to the state's economy and to the health of our nation and world. In our state, this sector employs upwards of 80,000 persons, generating over \$25 billion in economic activity. According to the October 2004 Milken Institute study, this direct employment also supports another 218,000 spin-off jobs in areas such as clinical trial activities, clinical research management, facilities management, advertising, medical education and other health-related jobs.

Policy directed at the pharmaceutical industry from our nation's capital has a disproportionate impact on the economy of New Jersey. There is more employment in the life sciences industry concentrated in our state than in any other place on earth.

New Jersey reaps the benefits of the fact that the United States is the only free market health care economy left in the world. As a result of price controls, formularies and other restrictive policies of Japan and countries of the European Union, research activities have gravitated to the U.S. from those countries. New Jersey has been the biggest beneficiary of those highly paid workers and a highly educated workforce. In 2001, the U.S. census credited the movement of well-paid researchers into the state as a primary reason for New Jersey's ascension to the status of highest per capita income of any state.

Biotechnology companies, both those established and new start up companies, are coming to the state in increasing numbers because of the presence of pharmaceutical jobs and partner opportunities. The medical technology industry, which manufactures drug delivery devices, also recognized the unique synergies available only in New Jersey.

The implementation of the new Medicare Drug benefit law will have a demonstrated impact on New Jersey. With the passage of the Medicare Modernization and Prescription Drug Improvement Act, *NJ SEED encourages the New Jersey Congressional Delegation to ensure that New Jersey takes advantage of the approximately \$4 billion in federal funds which will flow to the state over 10 years through transitional assistance, drug assistance and provider payments. In order to ensure that the best medicines remain available for New Jersey and the world, NJ SEED also asks the Delegation to oppose any attempt to*

impose government price controls on this new program. Such price fixing of prescription drugs could have a detrimental effect on innovation of new lifesaving and life-enhancing products, as well as on jobs and New Jersey's economy as a whole.

Any attempt to amend the Medicare Modernization Act prior to its full implementation in 2006 will only harm seniors and the disabled who deserve affordable prescription drug coverage.

NJ SEED also endorses fair trade policies with foreign governments to ensure that pharmaceuticals and medical technologies are priced in a fair manner. Restrictive regulatory processes and unfair trade practices harm pharmaceutical and medical technology products overseas and disproportionately impact jobs in New Jersey.

The reuse of single-use medical devices in New Jersey and across the country is an unsafe practice that could put thousands of patients at risk of serious infection or death. It may unnecessarily harm patients who are undergoing procedures with devices that the FDA approves for use on one patient for one procedure.

NJ SEED asks the New Jersey Delegation to oppose any legislative or regulatory efforts to allow single-use devices to be recycled or reprocessed for additional use.

NJ SEED urges the New Jersey congressional delegation to support policies that promote the ability of the life sciences industry to conduct research into new medicines and products, and expand its highly educated workforce in our state. NJ SEED will oppose initiatives that run counter to these goals.

Base Realignments and Closings

The federal government is undertaking an initiative to reduce military base infrastructure by approximately 25%. On May 16, 2005, Defense Secretary Donald Rumsfeld will be providing a list of those facilities under consideration to the Base Realignment and Closing Commission (BRAC). The Commission will report its findings to President Bush in September. After his review, the President will send the report to Congress.

In the past, military installations in New Jersey have been under consideration for closure, and we believe that it is imperative to ensure that those facilities are not part of the Department of Defense's BRAC recommendations.

NJ SEED calls on the New Jersey Delegation to closely monitor the BRAC proceedings and advocate the importance of maintaining jobs and a strong economy in New Jersey.

Homeland Security & Emergency Preparedness

State Police Staffing & Equipment

New Jersey, with the nation's third largest port and third largest mass transit system, is at the front lines of the war on terrorism. It is essential that we receive our fair share of federal funding to meet the new demands taken on since the September 2001 terrorist attacks.

The New Jersey State Police (NJSP), as of January 3, 2005, have 2609 sworn and enlisted personnel assigned to provide numerous law enforcement services to the citizens of this State. In 1989, the NJSP had 3,035 sworn members, that's a difference of 426 less bodies, while the duties & responsibilities of the NJSP have increased considerably.

The NJSP have been tasked with added responsibilities in the area of Homeland Security, Urban Area Security Initiative Rapid Deployment Force, Cyber Crimes, Statewide School Security Initiative, Intelligence Gathering Systems (SIMS) and a new enhanced Inter Agency Communications System.

The Rapid Deployment Force (RDF) was successfully mobilized during last summer's Republican National Convention in NYC, which included inspections of trucks traveling through bridges and tunnels into Manhattan. It was also deployed during this summer's period of heightened Homeland Security Alert for the financial sector in northern New Jersey, based on threats against the Prudential Building in Newark. The Urban Area Security Initiative RDF has been provided with standardized training in weapons of mass destruction awareness and operations, Hazmat awareness and operations, and incident command systems. The combination of standardized training and equipment allows the RDF to respond capably and safely to terrorist incidents, especially those dealing with chemical, biological, radiological, nuclear and explosive devices.

The NJSP annually investigate approximately 600 cyber crimes throughout the State. Governor Codey, during his State of the State address, announced his plan to launch an unprecedented effort to make New Jersey students safer by introducing a statewide school security checklist, prompted by concerns about terrorism. The administration plans to set school safety standards and deploy State Troopers to visit every school in the State by September. This initiative was prompted by events last year when terrorists seized a middle school in Russia and killed more than 300 children and other hostages. The following month, the state was rattled by news that information about two New Jersey schools was found on a computer disk in Iraq.

The NJSP have unveiled a new computer system known as the Statewide Intelligence Management System (SIMS). This system will share information and intelligence with other law enforcement agencies. This shared information will make it relatively easy to find out whether a suspect has been involved in criminal activity or has associated.

The role of New Jersey and our State Police in defending the United States against terrorism--and acting as first responders in the event of an attack--cannot be overstated. Given New Jersey's geographic location on the Eastern Seaboard & proximity to New

York City, it is difficult to comprehend why our state's share of federal homeland security funds has been cut. NJ SEED believes that it is critically important to provide necessary staffing and equipment for the New Jersey State Police in our fight against terrorism. This investment will yield invaluable dividends to the citizens of New Jersey and the entire country. We urge the New Jersey Delegation to continue its efforts to ensure that New Jersey receives its share of funds for homeland security.

Infrastructure Security/Emergency Preparedness

A leading Newark-based insurance company has been cited among a list of possible terrorist targets. Last year, the news media broadcast information about the existence of detailed building data that focused on one of the Garden State's historic insurance institutions. The kind of data discovered is often collected as a precursor to terrorism attacks.

Businesses, labor leaders, trade groups and insurers are all concerned about business continuity in the face of terrorism. For insurers, the concerns are especially critical because the purpose of insurance is to ensure that policyholders can recover from loss and disaster. Without insurance, whole sectors of our economy would become ineffective or simply cease to exist.

In a terroristic threat environment, the security of a company's employees, physical assets and its information technology resources are of supreme importance. To that end, New Jersey businesses and insurers employ a variety of measures in their corporate contingency plans to protect against threats to physical security and information security. Some of the critical elements include identifying key functions, personnel, and technical equipment. Alternative work and information sites are established. In addition, periodic reviews of corporate contingency plans are encouraged. The urgency for this vigilance has become all too obvious.

The need to develop corporate infrastructure security and emergency preparedness became painfully clear to New York City in 2001 and to Newark, New Jersey in 2004. The lessons learned from each incident will help make businesses stronger.

New Jersey's private sector has made a significant investment in the enhancement of information, personnel and equipment security. NJ SEED believes that is important for state and federal policymakers to acknowledge that government must work with the private sector in these critical areas. We call on the New Jersey Delegation to look to our state as a model for the entire country in terms of best practices in corporate infrastructure security and emergency preparedness.

Terrorism Insurance

In the past, insurers did not exclude losses stemming from terrorist attacks, only acts of war. However, the "new war" on terrorism is blurring the lines of distinction. The insurance industry has testified before Congress that future terrorist acts may be construed as an act of

war, and that coverage of these acts will cease unless the government agrees to help support the potential burden on their industry.

NJ SEED believes that the federal government must play a role in ensuring that commercial property owners can continue to obtain coverage for damage due to acts of terrorism. Given the increasing possibility that future events could translate into a state of war, the Government must also play a role (at least in standby capacity) in ensuring the availability of coverage for acts of war.

E-Commerce Taxation

The number of people and businesses using the Internet for e-commerce transactions is growing exponentially, and a majority of these transactions are not taxed. Three major revenue sources for state and local governments are income taxes, property taxes and sales taxes. If Internet purchases continue to be tax free, the amount of sales tax that a state or locality is able to collect will be reduced. As a result, state and local governments may turn to higher real estate and other property taxes to make up for lost revenue.

The business community has been working with the e-Fairness Coalition on legislation that would allow states to collect sales tax from Internet vendors. The states have developed a “streamlined sales tax” that could be used by the states to collect sales tax on Internet purchases. According to the United States General Accounting Office, New Jersey was projected to lose \$879 million in state and local revenues in 2003. The Center for Business and Economic Research at the University of Tennessee estimates that this loss in revenue will increase to \$1.15 billion in 2006.

NJ SEED supports legislation that would allow states to collect sales tax on Internet purchases. With states facing huge deficits (over \$4 billion in New Jersey), our concern is that state and local governments may turn to higher real estate and other property taxes to make up for lost revenue if Internet purchases continue to be tax-free.

Education

Restoration of Perkins Funding for Vo-Techs/County Colleges

New Jersey’s 21 county vocational-technical schools integrate high-level academics with quality career and technical training to prepare students for employment and continued education. All vo-tech students must meet the state’s rigorous high school graduation requirements **plus** industry-specific standards.

The Carl D. Perkins Vocational & Technical Education Act is the only federal funding for vocational-technical education, granting \$1.2 billion to high schools and community colleges across the nation. New Jersey received \$24.4 million last year for educational programs that prepare secondary and adult students for the jobs of today and tomorrow.

Under his FY 2006 budget, President Bush proposes to eliminate Perkins funding for vocational-technical education. With state education aid essentially flat for the past four years, Perkins is critical to keeping New Jersey's career and technical education programs current with industry standards. Eliminating Perkins funding would decimate career and technical education opportunities in New Jersey and throughout the nation, hurting students and the employers who hire them.

NJ SEED supports the renewal of the Perkins Law as proposed by Senate Bill 250 and House Resolution 366. Reauthorizing the Perkins Law and restoring full funding to the budget will ensure the continued strength of high-quality vocational-technical education programs in New Jersey and elsewhere.

New Jersey's Commitment to Disadvantaged Students

No state matches New Jersey's commitment to disadvantaged students. Now there is solid evidence that the investment is paying off, reversing the effect of decades of educational neglect in the state's 31 impoverished Abbott districts.

Since those districts began receiving appropriate funding under the state Supreme Court's *Abbott V* ruling in 1998, test scores among Abbott fourth graders have risen dramatically. This fall, Abbott fourth-graders showed an 8.2 percent increase in the number of students scoring proficient in the language arts test, and an 8.7 percent rise in math proficiency. Both figures are twice the state average.

Some Abbott districts reported gains of more than 20 percent in one or both tests. The results are the product of hard work, intelligently selected reforms, and considerable additional resources, ordered by the Court. By linking resources to research-based programs that work, New Jersey is now seeing a solid track record of success.

While it may still be too early to say with certainty what's driving the improvement, it is clear that whole school reform models, a focus on early literacy, and dedicated teams of teachers, parents and administrators are major contributors to this success. The full impact of the state's unprecedented investment in quality preschool programs is yet to be seen, but the first wave of students from those programs will be taking Grade 4 tests next year. The impact of Abbott's mandated class size reduction has yet to be fully realized, due to inadequate classroom space. The state's heavy investment in school construction is expected to bring smaller classes, which should also yield considerable benefits.

The work has only begun. Success at the elementary level must be sustained, and more effort is now required at the middle and high school levels. It is important to note that Abbott reforms have reached way beyond the 31 Abbott districts. The state's investment in preschool programs and new school construction is benefiting all districts.